



The University of North Carolina

GENERAL ADMINISTRATION

POST OFFICE BOX 2688, CHAPEL HILL, NC 27515-2688

C.D. SPANGLER, JR.
President
Telephone 919-962-1000

AO 89-005

Appalachian State
University
East Carolina
University
Elizabeth City
State University

March .3, 1997

Mr. George F. Bason, Chairman
North Carolina Board of Ethics
116 West Jones Street
Raleigh, NC 27803-Sn03

Fayetteville State
University

Dear Mr. Bason:

North Carolina
Agricultural and
University

I respond to your letter of February 19 concerning your evaluation of the Supplemental Statement of Economic Interest filed by Chancellor Michael Hooker under date of February 2, 1997.

North Carolina
Central University

You question first the Chancellor's service as a Director of Centura Bank, citing a 1979 administrative policy that prohibited chancellors and chief finance officers from serving on the boards of banking institutions. Apparently we failed to inform the Board of Ethics about a change in administrative policy that I implemented in 1989, following my exchange of correspondence with the former Chairman of the Board of Ethics, Mr. Kenneth D. Kennedy, Jr. Our policy is that such university officers may accept appointment to the boards of banking institutions so long as care is taken to avoid conflicts of interest. The university officer should not exercise his or her authority to place university accounts with, or otherwise transact university business with, any financial institution in which the university officer has an ownership interest or on whose board the university officer serves.

North Carolina
School of the Arts

North Carolina
State University
At Raleigh

University of NC
At Asheville

University
North Carolina
At Chapel Hill
University of
North Carolina
At Charlotte

I am informed that Chancellor Hooker's service on the Centura Board does comport with the guidelines I established in 1989, and I trust that compliance with those guidelines also will satisfy the concerns of the Board of Ethics.

University of
North Carolina
At Greensboro

You pose a second question about Chancellor Hooker's disclosure in response to Question 10, and I understand he will provide additional information at your request.

University of
North Carolina
At Pembroke
University of
North Carolina
At Wilmington

Sincerely,

C. D. Spangler, Jr.

Western Carolina
University

cc: Chancellor Hooker

Winston-Salem
State University

NORTH CAROLINA BOARD OF ETHICS
116 WEST JONES STREET
RALEIGH 27603
(919 733-5103)

AO 89-005

K D KENNEDY, JR
CHAIRMAN

C. D. Spangler, Jr., President
The University of North Carolina
General Administration
Post office Box 2688
Chapel Hill, North Carolina 27515-2688

Dear President Spangler:

The following is in response to your letter dated June 12, 1989.

It is our understanding that the Chancellor of each institution is responsible for the custody and management of the special funds of that particular institution. Special funds are moneys received from or for the operation of intercollegiate athletics, endowment funds, and moneys held by an institution as fiscal agent for individual students, faculty, staff members, and organizations. Further, we understand that the Chancellor is the administrative and executive head of the institution and exercises complete executive authority therein, subject to the direction of the President. We further understand that some Chancellors have delegated responsibility for all fiscal affairs to the Vice Chancellors for Fiscal Affairs.

It is the opinion of the Board of Ethics that Chancellors and Vice Chancellors for Fiscal Affairs, would have potential for conflict of interest by serving on financial institution boards. While the placing of funds in a particular financial institution would not necessarily result in any direct financial benefit to the university official, it clearly would benefit the financial institution. The state's interest here is to avoid any favoritism to one financial institution over another competing for the university's business.

It is the opinion of the Board of Ethics that Chancellors and Vice Chancellors for Fiscal Affairs would have actual conflict of interest if they were stockholders in financial institutions in which the special funds were deposited, or other university business utilizing the special funds resulted in gain for stockholders.

Obviously, all conflict of interest on the part of university officials could be avoided should the Chancellors choose to deposit the special funds with the State Treasurer in accordance with the provisions of G. S. 147-69.3(b).

President Spangler

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July 7, 1989

In the absence of this option, the Chancellors could avoid potential and actual conflict of interest by delegating all authority for placement of special funds, making investments in savings and loans, or other matters utilizing the special funds to the Vice Chancellor for Fiscal Affairs. Obviously, this approach mandates that the Chancellor maintain a hands-off approach at all times.

The Vice Chancellors for Fiscal Affairs could avoid potential and actual conflict of interest by not serving on boards or owning stock in financial institutions doing business with the university utilizing any of the special funds.

While this approach may seem harsh, we firmly believe that university officials should not engage in any conduct which could be viewed as conflicting with their official responsibilities.

Thank you for the opportunity to address this matter.

Sincerely,

K. D. Kennedy, Jr.
Chairman

cc: Members, Board of Ethics

The University of North Carolina

GENERAL ADMINISTRATION

POST OFFICE BOX 2688, CHAPEL HILL, NC 27515-2688

C. D. SPANGIER, JR. *President*

Telephone 919 962-1000

June 12, 1989

Mr. Kenneth D. Kennedy, Jr., Chairman
North Carolina Board of Ethics
Post Office Box 5427
Raleigh, North Carolina 27608

Dear Mr. Kennedy:

One response by the Board of Governors of The University of North Carolina to the first gubernatorial Executive Order on the subject of ethics in government was a decision to voluntarily treat that order as being applicable to senior administrative officers of the University, who otherwise were not subject to its coverage. Thus, the President and the Vice Presidents of the University and the Chancellors and Vice Chancellors of the sixteen constituent institutions annually have met the relevant reporting and disclosure requirements.

Early in the history of administering the Executive Order, questions were raised about the practice by certain Chancellors and Vice Chancellors of accepting appointments to the boards of banking institutions located in their communities. Although the Board of Ethics in no case found an actual conflict of interest, concern was expressed that the potential for a conflict of interest might arise from such board memberships.

In response, the administrative conclusion within the University was that an actual conflict of interest could be avoided if University officers refrained from accepting membership on such boards. An internal policy directive was issued to the Chancellors, and a copy of the policy was shared at that time with the Board of Ethics. Several of the Chancellors have expressed concern from time to time about serving on bank boards. Their view, which I share, is that significant value may accrue to the University from their participation in the civic and business affairs of their local communities. They further believe, and I agree, that they are capable of avoiding any actual conflicts of interest attributable to their membership on bank boards.

Spangler: Kennedy
June 12, 1989
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Accordingly, I have concluded that the administrative policy of the University which precludes bank board memberships is overly broad in its scope and effect. I propose to modify that policy to permit Chancellors and Vice Chancellors to accept such board memberships, with the caveat that they are to be mindful of the potential for conflicts of interest. Before implementing this policy, I would appreciate your advice on the matter.

Sincerely,

C. D. Spangler, Jr.

THE UNIVERSITY OF NORTH CAROLINA
General Administration
PO Box 2688
Chapel Hill 27514

WILLIAM FRIDAY
President

Telephone 919 933-6981

August 10, 1979

MEMORANDUM

To: The Chancellors

FROM: William Friday

RE: Relationships of University Officers to Financial Institutions

University officials have an obligation not to engage in activities that may convey even the impression of the use of their public offices to favor or prefer a particular commercial entity, from among such types of entities with which The University may have occasion to conduct business.

Periodically, on a number of bases, and most recently by formal notice to me from the Board of Ethics, concerns of this type have been expressed about service by University officers on the boards of banking institutions and about The University conducting business with institutions in which those officers have a financial interest.

It has become evident that the interests of The University will be best served if the Chancellors and the chief finance officers of the constituent institutions do not serve on the boards of banking or savings and loan institutions and if The University does not conduct business with such institutions in which those officers have a financial interest.

Accordingly, I request first that all such University officers not accept appointment to the boards of banking and savings and loan institutions; any such officer who currently is a member of such a board should discontinue that membership. I request second that, in any instance in which University officers are authorized to select an institution as depository, no such depository be selected in which such University officers own stock; if any funds currently are on deposit with an institution *which* was selected by such University officers and in which such officers own stock, either the funds should be withdrawn from the institution or the University officer *should* divest himself of such stock.